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C O N F I D E N T I A L SECTION 01 OF 03 NEW DELHI 000638

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TAGS: ETRD PREL MARR KNNP PGOV IN
SUBJECT: DEFENSE SECRETARY SINGH EMPHASIZES POSITIVE

MILITARY RELATIONSHIP TO UNDERSECRETARY MANCUSO

Classified By: Pol-Mil Officer Joel Ehrendreich for Reasons 1.4 (B, D)

¶1. (C) Summary. In a February 27 meeting between Under Secretary of Commerce, Bureau of Industry and Security, Mario

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Mancuso, and Defense Secretary Vijay Singh, Mancuso:

-- stressed the importance of the U.S.-India relationship;
-- expressed appreciation for Singh's contribution to bringing transparency to India's procurement system;
-- noted the promise the Validated End User program could hold for India;
-- pointed out that U.S. companies were prepared to submit bids for the Multi-Role Combat Aircraft within the original six-month deadline, a sign of the USG's efforts to be competitive in the Indian market;
-- urged completion of the civil-nuclear deal as a mutually beneficial way to bring entities and related issues a greater level of comfort; and
-- advocated that U.S. companies seek a level playing field,

and feel they can be competitive in an open system.

Singh:

-- confirmed India has a transparent procurement system in place;

-- praised the probity of the American defense trade system, and contrasted it with less reputable partners India had been doing business with in the past;

-- said he hoped for support agreements such as End-Use Monitoring and CISMOA to be finalized soon;

-- described the U.S.-India relationship as more substantive than any other India has, including with traditional partner Russia; and

-- related that India is considering suggestions from industry to its offset policy, a new version of which is scheduled to be released in April.

End Summary.

Important Relationship

12. (C) Under Secretary Mancuso began the meeting by stressing the importance of the U.S.-India relationship and expressing his appreciation for Secretary Singh's contribution to bringing transparency to India's defense procurement system. In a fair and open system, the Under Secretary said, U.S. companies believe the superiority of their products and their reputation for reliability will make them competitive.

Transparency Paramount

13. (C) Secretary Singh confirmed the Ministry of Defense has a transparent procurement system in place, and referred to assurances Defense Minister Antony had made earlier in the day to Secretary Gates that the system offered a level playing field. Citing India's recent purchases of the USS

Trenton and six C-130J aircraft, Singh said we are only at the beginning of a growing relationship. He added that MoD was now in negotiations with Boeing to finalize a purchase of P-8 maritime patrol aircraft, which he expected would be completed without problems.

¶4. (C) Singh praised America's tradition in defense procurement as being "amazingly transparent" and with stringent penalties for violators. Contrasted with problems MoD had had with suppliers in the past, Singh said it was important for India to have reliable American companies to deal with now, adding that "we don't anticipate problems" with American companies.

Agreements Can Be Mutually Beneficial

¶5. (C) Noting the significant decrease in the percentage of exports to India requiring licenses, Under Secretary Mancuso

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described the promise the Validated End User program could hold for India. He said VEU was just one example of how the U.S. is looking for mutually beneficial ways to increase high-tech trade. He added that the civil-nuclear agreement was another example of a mutually beneficial agreement which could provide progress on bringing a greater level of comfort to entities and related issues. Additional Secretary (Production) Ajoy Acharya praised the flexibility the U.S. has shown recently, although he admitted specific cases of problematic licensing issues remained. Secretary Singh tried to downplay the problems, saying "I wouldn't say these are great obstacles. As our relations are growing, I see these as issues which can be resolved." Singh later expressed an understanding of the legal requirements the USG faces in transferring technology, particularly in the defense field. While this led to "rocky" moments as our relations began to

grow, "We'll get through" he predicted. He lamented that supporting agreements such an Enhanced End-Use Monitoring agreement and CISMOA (Communications Interoperability and Security Memorandum of Agreement) remained unsigned, saying "We would prefer to have these in place by now." He explained that the holdup on the Indian side was a mixture of lingering suspicion of America in the Indian bureaucracy and concerns that the agreements could somehow breach Indian sovereignty.

U.S. Impressive

¶6. (C) Singh was particularly upbeat about the U.S.-India security relationship. He listed several of the existing working groups, such as the Defense Policy Group and the Defense Production and Procurement Group, which he noted have met on schedule since their inception, and posited "I don't think we have this level of interaction with other countries." He attributed the close relations to democracy and the nature of our militaries in a democratic society. Contrasting India's military relationship with the U.S. to that of India's traditional partner Russia, Singh said "We still don't have a true military-to-military relationship with Russia. It is still equipment based. We don't have the range of transactions we have with the United States. This is one of the things our Prime Minister raised with Secretary Gates (on February 26)." He went on to praise U.S. participation in DefExpo 2008, noting that the U.S. had the largest contingent and calling that "a good thing," adding that he had mentioned to Russian interlocutors in Moscow the week before that the U.S. pavilion had been the largest. The Russians, he reported, promised him Russia would "show them" the next time.

¶7. (C) The Under Secretary cited recent news that the deadline for bids for the Multi-Role Combat Aircraft tender had been extended and pointed out that U.S. companies had been prepared to meet the original deadline, a sign of the

commitment the USG has made to competing in the Indian market. Singh said the extension had been made at the request of a couple companies, which he later intimated had been Gripen and Airbus, but said he had also heard from American companies that they would prefer to have the offset proposal deadline pushed back, which had also been done. The decision to extend the deadline had been done in the interest of transparency, he stated. Continuing on the subject of transparency, Singh related that the recent selection of Boeing over EADS for the Maritime Patrol Aircraft tender had been made after a couple months' deliberation over what was the lowest price and most suitable overall bid. The fact that the German government had complained that the decision showed an anti-European bias demonstrated that people will always believe that the system is not transparent whenever the decision goes against them, but, Singh assured the Under Secretary, India uses absolutely fair principles. He related

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that some people believe there is an invisible political hand behind India's procurement decisions, but said he had not seen any hint of that since he came to office.

Changes In Offset Policy Being Considered

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¶8. (C) Responding to Assistant Secretary Borman's inquiry, Acharya said India has already begun to implement new offset procedures, including the designation of private companies for use as offset partners. In fact, he noted, in the recently concluded agreement for the first offset proposal under India's new (2006) offset program, one private company had been approved as an offset partner, and, separately, 9-10 new private companies had just been approved as possible offset partners. Singh said the GOI is listening to requests

from industry for changes in the offset policy, and is considering broadening procedures to possibly include indirect offsets, credit banking and transfer of technology multipliers. Acharya noted the new Defense Procurement Policy, which will include updates on offset policy, is due out in April.

¶9. (U) Under Secretary Bodman's delegation has cleared this cable.

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